

Message Text

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SUBJECT: HAMILTON SUBCOMMITTEE DRAFT RECOMMENDATIONS ON
EGYPT PROGRAM

FOR ATHERTON AND SAUNDERS FROM AMBASSADOR

1. SUMMARY: DRAFT RECOMMENDATIONS OF HIRC SUBCOMMITTEE ON
EUROPE AND THE MIDDLE EAST (HAMILTON SUBCOMMITTEE) USES
SEVERAL CONCEPTS AND STATEMENTS WHICH I FIND QUITE
TROUBLESOME. I URGE YOU CONSIDER MAKING NECESSARY
EXPOSITIONS OF OUR POINTS OF VIEW, WITH AN EYE TO GETTING
CHANGES IN THE RECOMMENDATIONS. END SUMMARY.

2. THE MOST DISTURBING FEATURE OF THE RECOMMENDATIONS,
BEYOND OTHER ISSUES DISCUSSED IN SEPARATE PARAGRAPHS
BELOW, IS THAT THEY APPEAR TO OVERLOOK THAT EGYPT'S
LARGE URBAN POPULATION IS NOT ONLY OF PARAMOUNT POLITICAL
IMPORTANCE TO THE EGYPTIAN GOVERNMENT BUT ALSO CONSTITUTES
AN IMPORTANT FOCUS FOR OUR OWN PROGRAMS. THIS SHOWS UP
CLEARLY IN RECOMMENDATIONS TWO, THREE, SIX AND NINE--
VIRTUALLY EVERY RECOMMENDATION THAT DEALS WITH THE SECTORAL
COMPOSITION OF OUR ECONOMIC ASSISTANCE PROGRAM. THESE
RECOMMENDATIONS COULD HAVE (AND, I AM URGING,
SHOULD HAVE) ALSO INCLUDED THE URBAN POPULATION.

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REGARDING RECOMMENDATION TWO, IT IS OBVIOUS TO ME THAT
PROJECTS THAT IMPROVE THE WELL-BEING OF THE URBAN POOR AS
WELL AS THOSE DIRECTED TO THE RURAL POOR COULD HAVE
IMPORTANT POLITICAL BENEFITS (AND STILL CONFORM WITH THE
NEW DIRECTIONS MANDATE). SIMILARLY, IN RECOMMENDATION
THREE, THE USE OF DOLLARS TO FUND LOCAL COSTS OF THE
PROPOSED URBAN HEALTH PROJECT, AS ONE EXAMPLE, WOULD BE

JUST AS WELL MERITED AS IN THE CASE OF THE RURAL HEALTH PROJECT. ANALOGOUS POINTS COULD BE MADE RE OTHER RECOMMENDATIONS, BUT THE ABOVE ILLUSTRATE WHY I AM CONCERNED WITH THE SUBCOMMITTEE'S LACK OF APPRECIATION FOR THE POLITICAL IMPORTANCE OF THE URBAN POOR IN OUR ECONOMIC ASSISTANCE PROGRAM.

3. I ALSO ENDORSE THE FOLLOWING COMMENTS.

4. RE RECOMMENDATION ONE: WE, OF COURSE, DO USE ECONOMIC DEVELOPMENT CRITERIA IN SELECTING PROJECTS TO SUPPORT, IN ADDITION TO POLITICAL CRITERIA. IN FACT, OUR RRIORITIZATION CONSIDERS SUCH ECONOMIC FACTORS AS: REQUIREMENTS FOR ECONOMIC GROWTH AND FOR MEETING BASIC HUMAN NEEDS, IMPACT ON FOREIGN EXCHANGE, EMPLOYMENT OF PRESENTLY-AVAILABLE DOMESTIC RESOURCES (INCLUDING BOTH HUMAN AND MATERIAL RESOURCES), SOLVING PRODUCTIVITY CONSTRAINTS (INFRA-STRUCTURAL, MANAGERIAL OR TECHNICAL BOTTLENECKS) AND GENERAL MACROECONOMIC VARIABLES SUCH AS INFLATION AND STRUCTURE OF ADMINISTERED PRICING. WE ALSO ARE GIVING INCREASED EMPHASIS TO THE NEEDS OF THE PRIVATE SECTOR AND COOPERATIVES, AND TO THE TRANSFER OF APPROPRIATE TECHNOLOGY, ETC. GRANTED THAT BECAUSE OF THE NATURE OF THE RATIONALE AND LEVEL OF FUNDING OF THE EGYPT PROGRAM WE CARRY OUT ACTIVITIES NOT NOW SUPPORTED IN NON-SA COUNTRIES, WE STILL DO MAKE OUR PROJECT DECISIONS ON LIMITED OFFICIAL USE

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DEVELOPMENT GROUNDS.

5. RE RECOMMENDATION TWO: (A) WE ARE TRYING TO MAKE AS MUCH OF OUR PROGRAM RESPOND TO NEW DIRECTION CONCERNS AS IS PRACTICAL. HOWEVER, WE QUESTION THAT THE SUBCOMMITTEE REALLY APPRECIATES THE DIFFICULTIES IN PLANNING AND IMPLEMENTATION THAT WOULD HAVE TO BE OVERCOME TO PUT "A FAR GREATER PROPORTION" OF THE PROGRAM INTO NEW DIRECTION-TYPE PROJECTS. (B) THIS RECOMMENDATION SEEMS TO US TO CONFLICT WITH RECOMMENDATION TEN. THE EDFU PULP AND PAPER MILL WILL REDUCE EGYPTIAN IMPORTS OF PAPER PRODUCTS AND UTILIZE AVAILABLE BAGASSE NOW BEING WASTED.

6. RE RECOMMENDATION FOUR: (A) CIP DISBURSEMENTS ARE ALREADY ABOVE DOLS ONE MILLION PER DAY. (B) OF COURSE, WE ARE TRYING TO AVOID DELAYS IN THE IMPLEMENTATION OF CAPITAL PROJECTS. HOWEVER, WE DO NOT BELIEVE THAT THE QUITE NATURAL SLOWER DISBURSEMENT RATE OF THOSE PROJECTS HAS UNDERMINED THE POLITICAL RATIONALE OF THE PROGRAM. INDEED, THE GOE SPECIFICALLY WANTS THE PROGRAM TO INCLUDE A SUBSTANTIAL AMOUNT FOR SUCH PROJECTS ALTHOUGH IT FULLY REALIZES THAT THEIR DISBURSEMENT WILL

NOT BE AS QUICK AS THAT OF THE CIP PROGRAM.

7. ALTHOUGH YOU, OBVIOUSLY, ARE IN A BETTER POSITION TO JUDGE THE LIKELIHOOD OF SUCCESS OF ANY APPROACH TO THE SUBCOMMITTEE ALONG THE ABOVE LINES, WE THINK IT WOULD BE WORTH A TRY TO GET THE DRAFT RECOMMENDATIONS MODIFIED.

8. PLEASE SHARE WITH ASSISTANT ADMINISTRATOR WHEELER.
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